



BRIMSTONE

INVESTMENT CORPORATION LIMITED

"To be profitable, empowering and to have a positive social impact."

ISIN Number: ZAE000015277 Share Code: BRT, ISIN Number: ZAE000015285 Share Code: BRN

HIGHLIGHTS

Growth in net asset value to 140.3 cents per share

A net cash position of R48.4 million

Commendable performances from underlying investments during a difficult trading year

Dividend of 8 cents per share

Closing of discount to NAV in share price

REVIEWED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2003

Comments on results

Brimstone continued to create value for its shareholders in the 2003 financial year, posting a 47.2% increase in net asset value to 140.3 cents per share, compared to 95.3 cents for the previous year. This is in spite of difficult trading conditions in the markets of Brimstone's core underlying industrial and financial services investments, which left headline earnings per share flat.

The strengthening Rand and highly competitive business environment saw a reduction in revenue to R206.9 million from R226.2 million and a reduction in headline earnings to R20.7 million from R28.9 million in 2002.

This translated into headline earnings per share of 14.8 cents, which is the same as in 2002, as there were less shares in issue following the specific repurchase of shares in April 2003.

During the year Brimstone finalised the specific repurchase of its shares and concluded a number of deals, including the R51.8 million acquisition of a 25% interest in Lenco Holdings Limited, and a doubling of the existing stake in Sea Harvest Corporation to 21.52% for an additional R85.3 million. The consideration for these acquisitions, which included an interest component, was funded by a short term loan of R137 million which was converted into preference shares shortly after the year end. Brimstone also finalised the disposal of its stake in Nando's Holdings, Faizyme, Spitz, and its

Group Income Statements

	Reviewed year ended 31 Dec 2003	Audited year ended 31 Dec 2002
R'000		
Revenue	206 904	226 151
Cost of sales	(152 235)	(157 736)
Gross profit	54 669	68 415
Selling and administration expenses	(45 734)	(45 976)
Goodwill amortisation	(1 779)	(1 779)
Exceptional items	21 034	617
Profit from operations	28 190	21 277
Income from investments	3 880	2 329
Finance costs	(6 731)	(8 390)
Equity accounted retained income of associates	5 463	16 428
Net profit before taxation	30 802	31 644
Taxation	(233)	(3 107)
Net attributable profit	30 569	28 537
Earnings per share (cents)		
Headline	14.8	14.8
Basic	21.8	14.6
Comparable headline earnings	14.8	16.4
Dividends per share (declared after reporting date)	8.0	4.0
Number of shares used in calculation ('000)	139 959	195 628
Headline earnings calculation		
Net attributable profit	30 569	28 537
Profit on sale of associates	(13 191)	—
Disposal/(revaluation) of investment property	1 493	(1 435)
Goodwill amortisation	1 779	1 779
Headline earnings	20 650	28 881
Comparable headline earnings calculation		
Headline earnings	20 650	28 881
Incentive fee on investment disposals	—	3 230
Comparable headline earnings	20 650	32 111

Group Balance Sheets

	Reviewed 31 Dec 2003	Audited 31 Dec 2002
R'000		
ASSETS		
Non-current assets	235 745	146 269
Property, plant, equipment and vehicles	18 025	16 926
Goodwill on investment in associates	40 082	5 336
Investments in associate companies	164 804	115 931
Available for sale assets	12 834	—
Other investments and loans	—	8 076
Current assets	128 930	121 369
Land and buildings	—	21 958
Loan	3 205	—
Inventory	35 374	42 472
Trade receivables	28 095	31 655
Other receivables	8 983	14 645
Cash and cash equivalents	53 273	10 639
TOTAL ASSETS	364 675	267 638
EQUITY AND LIABILITIES		
Capital and reserves	168 492	186 353
Share capital and premium	105 675	152 371
Non-distributable reserves	3 280	45
Distributable reserves	59 537	33 937
Non-current liabilities	10 397	11 311
Long-term interest bearing borrowings	8 852	10 655
Deferred taxation	1 545	656
Current liabilities	185 786	69 974
Short-term interest bearing borrowings	20 289	36 909
Short-term loan convertible into preference shares	137 035	—
Bank overdraft	4 827	10 161
Trade and other payables	22 348	18 766
Taxation	1 287	4 138
TOTAL EQUITY AND LIABILITIES	364 675	267 638
NAV per share (cents)	140.3	95.3
Shares in issue at end of year ('000)	120 091	195 628

Keerom Chambers property in Cape Town. These items accounted for R19.5 million of exceptional items totalling R21 million.

The group net cash position is at a healthy R48.4 million up from R0.5 million at the end of the previous year. Also gratifying to see is the reduction in the discount to NAV in the market share price.

Results for the year

Accounting Policies

The accounting policies used in preparing this report are consistent with those used in the annual financial statements which have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice on a basis consistent with the previous year.

An exception is the implementation of accounting statement AC133, which establishes the principles for recognising and measuring information about financial instruments.

Accounting statement AC133 requires all financial instruments to be classified according to definitions contained in the statement. Brimstone's financial instruments were analysed and it was found that certain investments needed to be classified in terms of AC133 and these have accordingly been reclassified as "available for sale" assets and loan.

Available for Sale Assets

These are assets which are not part of a portfolio of assets for which there is a pattern of trading for the purposes of generating profits from short-term price fluctuations. Brimstone has elected to recognise fair

Cash Flow Statements

	Reviewed year ended 31 Dec 2003	Audited year ended 31 Dec 2002
R'000		
Cash generated from trading	11 963	25 788
Movement in working capital	16 031	(10 931)
Cash generated from operating activities	27 994	14 857
Investment income	3 880	2 329
Finance costs	(6 731)	(8 390)
Dividend paid	(7 825)	—
Taxation paid	(2 196)	—
Cash retained from operations	15 122	8 796
Cash flows from investing activities	(39 070)	(12 782)
Investments acquired	(137 293)	—
Proceeds on investments disposed of	81 885	2 463
Additions to property, plant and equipment	(5 044)	(15 365)
Proceeds on disposal of property, plant and equipment	21 382	120
Net cash outflow	(23 948)	(3 986)
Cash effects of financing activities	71 916	5 274
Repurchase of ordinary shares	(46 696)	—
Long-term loan advances	—	11 441
Repayment of long-term loans	(1 803)	(1 667)
Short-term loan advance	137 035	—
Repayment of short-term loans	(16 620)	(4 500)
Net increase in net cash resources	47 968	1 288
Net cash resources at beginning of year	478	(810)
Closing net cash resources	48 446	478

Statement of changes in equity for the year ended 31 December 2003

R'000	Share Capital	Share Premium	Non-distributable Reserves	Distributable Reserves	Total
Balance at 31 December 2001	42	152 329	45	5 400	157 816
Attributable profit for the year ended 31 December 2002	—	—	—	28 537	28 537
Balance at 31 December 2002 as previously reported	42	152 329	45	33 937	186 353
Effect of change in accounting policy					
AC 133 transitional adjustment	—	—	—	3 550	3 550
Balance at 1 January 2003	42	152 329	45	37 487	189 903
Attributable profit for the year ended 31 December 2003	—	—	—	30 569	30 569
Dividend paid	—	—	—	(7 825)	(7 825)
Shares repurchased	(4)	(46 692)	—	—	(46 696)
Share of non-distributable reserve of associate	—	—	2 541	—	2 541
Transfer current year share of non-distributable reserve of associate	—	—	694	(694)	—
Balance at 31 December 2003	38	105 637	3 280	59 537	168 492

Segmental information for the year ended 31 December 2003

R'000	Revenue	Operating Profit	Headline Earnings	Impairment Losses	Assets	Liabilities
Financial services	709	709	1 486	—	5 523	—
Industrial	205 555	34 647	20 944	(1 779)	294 586	187 430
Investments in transition	640	283	1 417	(1 493)	3 862	16
Corporate	—	(7 449)	(3 197)	—	60 704	8 737
Total	206 904	28 190	20 650	(3 272)	364 675	196 183

value gains or losses on these assets directly in the income statement. The fair values of these assets have been determined at the beginning of the current year and the financial effects have been disclosed in the "Statement of changes in equity" as an adjustment to opening retained income. Any movements thereafter have been taken directly to the income statement.

Review Opinion

The financial information included herein has been reviewed by our auditors, Deloitte & Touche, whose unqualified review opinion is available for inspection at the registered office of the company.

Industrial

House of Monatic

Results for this high-end men's clothing manufacturer were adversely impacted by the strengthening of the Rand, as well as sluggish local retail demand.

Lenco

Brimstone acquired a 25% plus one share interest in Lenco for a total consideration of R51.8 million, effective 31 December 2003. Lenco is a world-class packaging company servicing the consumer, agricultural and food and beverage sectors, and has two main divisions, Versapak and Xactics, which produce disposable plastic packing and extrusion blow moulded containers respectively for the local and international market. No income from this investment accrued to the group during the 2003 year.

Sea Harvest

Poor export demand and greatly reduced hake catch volumes, saw reduced profits for this deep sea fishing company. Reflecting its confidence in the long term sustainability of the fishing industry, Brimstone acquired a further effective 10.76% in Sea Harvest during the year for a total consideration of R85.3 million. No income from this additional investment accrued to the group during the 2003 year.

Scientific Group

This supplier of medical equipment, in which Brimstone holds a 20% stake, did well in a tight margin market.

Spitz

The investment was disposed of effective 31 December 2003 for a gross consideration of R21.7 million.

Financial services

Lion of Africa Insurance Company Limited

During a year of consolidation Lion of Africa contributed reduced earnings.

Peoples Bank

Subsequent to the year-end Brimstone has, subject to certain suspensive conditions, sold its 10% stake in Peoples Bank to Nedcor for a consideration of R6.7 million to be settled by the issue of Nedcor shares. It is intended to reverse Peoples Bank back into the Nedcor stable under the retail cluster of its businesses. This transaction will be accounted for in 2004.

Investments in transition

Faizyme, a niche producer of enzymes for the pharmaceutical industry, deserves special mention. During the financial year Brimstone sold its 30% stake in this company to the founder and realised a profit. Brimstone is proud to have assisted a true empowerment company, and to have enabled it to successfully export products across the world.

Prospects

Brimstone continues to expand its footprint into the industrial and financial services markets. It will continue to look for ways of improving its balance sheet, disposing of non core investments and focusing on acquisitions that can add significant value, and quality sustainable earnings.

Black empowerment companies, particularly small cap companies, have had to operate under difficult circumstances. It is through hard work and passion, and a belief in the core tenets of our business combined with a strong sense of corporate governance, that your company now finds itself grouped within a small minority of black empowerment success stories.

Positive results are expected for the 2004 financial year with real growth for our shareholders.

Further cautionary announcement

Further to the cautionary announcement dated 28 January 2004, relating to the offer by Business Venture Investments No. 790 (Proprietary) Limited ("BIDCO") to acquire all of the issued share capital of Afrox Healthcare Limited, holders of ordinary and "N" ordinary Brimstone shares ("shareholders") are advised that discussions are still in progress regarding Brimstone's participation in BIDCO as well as the acquisition of certain hospitals by Medi-Clinic Corporation Limited from BIDCO. Accordingly, shareholders are advised to continue to exercise caution when dealing in the company's securities until a further announcement is made.

Dividend

The board of Brimstone has declared a dividend of 8 cents per share payable to shareholders. This is the second dividend in successive years, and represents a vote of confidence in the sustainability of Brimstone's business model.

In compliance with the requirements of STRATE, the electronic settlement and custody system used by the JSE Securities Exchange South Africa, the company has determined the following salient dates for the payment of the dividend. The last day to trade cum dividend is Tuesday 6 April 2004. The dividend is payable to all shareholders of Brimstone recorded in the books of the company at the close of business on Friday 16 April 2004. Shares will commence trading ex dividend from Wednesday 7 April 2004. The dividend is payable on Monday 19 April 2004. Shares may not be rematerialised or dematerialised from Wednesday 7 April 2004 to Friday 16 April 2004, both days inclusive.

Prof GJ Gerwel

Non-Executive Chairman

MA Brey

Chief Executive Officer

Cape Town

11 March 2004

Results are available at www.brimstone.co.za